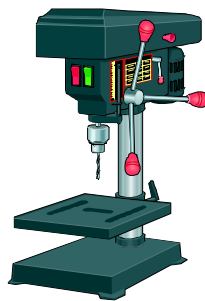


Manufacturer's Sales/Use Tax Exemption

The information contained in this fact sheet is current as of the date of publication and is intended only as general information. It does not cover every aspect of this incentive. Not all possible applications of this program are discussed. This fact sheet does not alter or supersede any administrative regulations or rulings issued by the Department.

Manufacturers, processors for hire, and manufacturers who perform research and development are not required to pay the sales or use tax on machinery and equipment used directly in the manufacturing or research operations. Charges for labor and services for installing the machinery and equipment are also not subject to the sales or use tax. Likewise, charges for repair labor and parts (if the parts have a useful life of at least one year), cleaning, altering, or improving the qualified machinery and equipment are exempt from the sales and use taxes.



On and after July 25, 1999, the exemption may be taken for qualifying machinery and equipment used directly in a testing operation by a person engaged in testing for a manufacturer or processor for hire. "Testing" means activities performed to establish or determine the properties, qualities, and limitations of tangible personal property. A "testing operation" means the testing of tangible personal property for a manufacturer or processor for hire. A testing operation begins at the point where the tangible personal property enters the testing site and ends at the point where the tangible personal property leaves the testing site.

A "manufacturing operation" means the manufacturing of articles, substances, or commodities for sale as tangible personal property.

A "manufacturing operation" means the manufacturing of articles, substances, or commodities for sale as tangible personal property. The manufacturing operation begins at the point where the raw materials enter the manufacturing site and ends at the point where the finished product leaves the manufacturing site. The term also includes the portion of a cogeneration project used to generate power and steam for consumption within the manufacturing site when the cogeneration project is an integral part of the manufacturing operation.

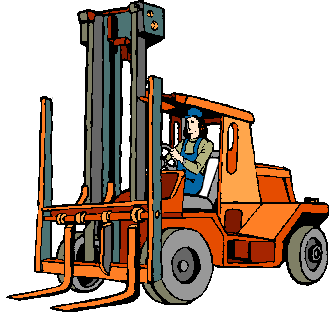
The research and development must be performed by a manufacturer or processor for hire. Research and

development generally includes activities performed to discover technological information, and technical and nonroutine activities concerned with translating technological information into new or improved products, techniques, formulas, inventions or software.



The term includes exploration of a new use for an existing drug, device or biological product, if the new use requires separate licensing by the Federal Food and Drug Administration under Chapter 21 CFR, as amended. (See RCW 82.63.010 for a full definition.)

“Machinery and equipment” means industrial fixtures, devices and support facilities, including pollution control equipment installed and used in a manufacturing operation to prevent air or water pollution, or contamination that might otherwise result from the manufacturing operation. The term does not include hand-powered tools, items with a useful life of less than one year, buildings, and building fixtures that are not an integral part of the manufacturing operation.



No prior application to the Department of Revenue is required.

The purchaser must, however, provide the seller with an exemption certificate at the time of

purchase. Both the seller and the purchaser must keep copies of the exemption certificates for five years.

A copy of the [Manufacturer's Sales and Use Tax Exemption Certificate](#) is provided for your convenience. Additional certificates may be obtained by contacting the Telephone Information Center at 1-800-647-7706 (TTY 1-800-451-7985).

LAWS AND RULES

- ◆ Chapter 82.08.02565 Revised Code of Washington (RCW) - Exemptions - Sales of manufacturing machinery and equipment - Labor and services for installation
- ◆ Chapter 82.12.02565 RCW - Exemptions - Use of manufacturing machinery and equipment
- ◆ Washington Administrative Code (WAC) 458-20-13601 – Exemptions – Manufacturing Machinery and Equipment Sales and Use Tax Exemption

The Department of Revenue will, upon request, provide copies of the laws and administrative rules.

PUBLICATIONS ORDER FORM

The Department of Revenue offers numerous publications covering a wide range of topics. These publications are available upon request from any Department of Revenue field office, or by calling the Telephone Information Center at 1-800-647-7706, or by completing this form and mailing it to: Department of Revenue, Taxpayer Services Division, PO Box 47478, Olympia, WA 98504-7478. Many of these publications are also available on the Department's Internet web site at <http://dor.wa.gov>.

QUANTITY	PUBLICATION
_____	Guide to Completing the Combined Excise Tax Return
_____	Active, Nonreporting Business
_____	Aircraft Taxes
_____	Audit Process
_____	Below Minimum
_____	Business and Occupation Tax
_____	Business Tax Overview
_____	Child Care Operators
_____	Cigarette Tax
_____	Collection Process
_____	Deferrals, Credits and Exemptions
_____	Electronic Funds Transfer
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_____	Farm Use Tax
_____	Fast Fax
_____	Fish Taxes
_____	Hazardous Substance Tax
_____	High Technology B&O Tax Credit
_____	Homeowner's Guide to Property Tax
_____	Horse Industry Tip Sheet
_____	How to Amend Your Combined Excise Tax Return
_____	New Business Handbook
_____	Nonprofit Organizations
_____	Outline of Major Taxes
_____	Personal Property Tax
_____	Property Tax Deferrals for Senior Citizens and Disabled Persons
_____	Property Tax Exemptions for Senior Citizens and Disabled Persons
_____	Resale Certificate
_____	Real Estate Transactions and Use Tax
_____	Retail Sales Tax
_____	Small Claims Hearings
_____	Taxpayer Rights and Responsibilities
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_____	Use Tax
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_____	Numerical listing and titles of ETAs
_____	Special Notice _____ identify by number and title
_____	Tax Topics article reprint _____ please include code, issue and article
_____	WAC (Rule) _____ identify by number
_____	Washington Tax Facts _____ identify by name

PLEASE SEND PUBLICATION(S) TO:

Contact Person: _____

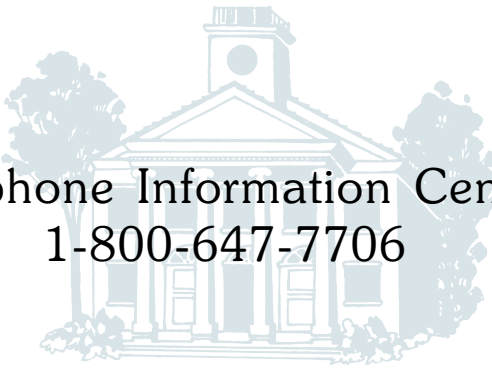
Business Name: _____

Street Address: _____

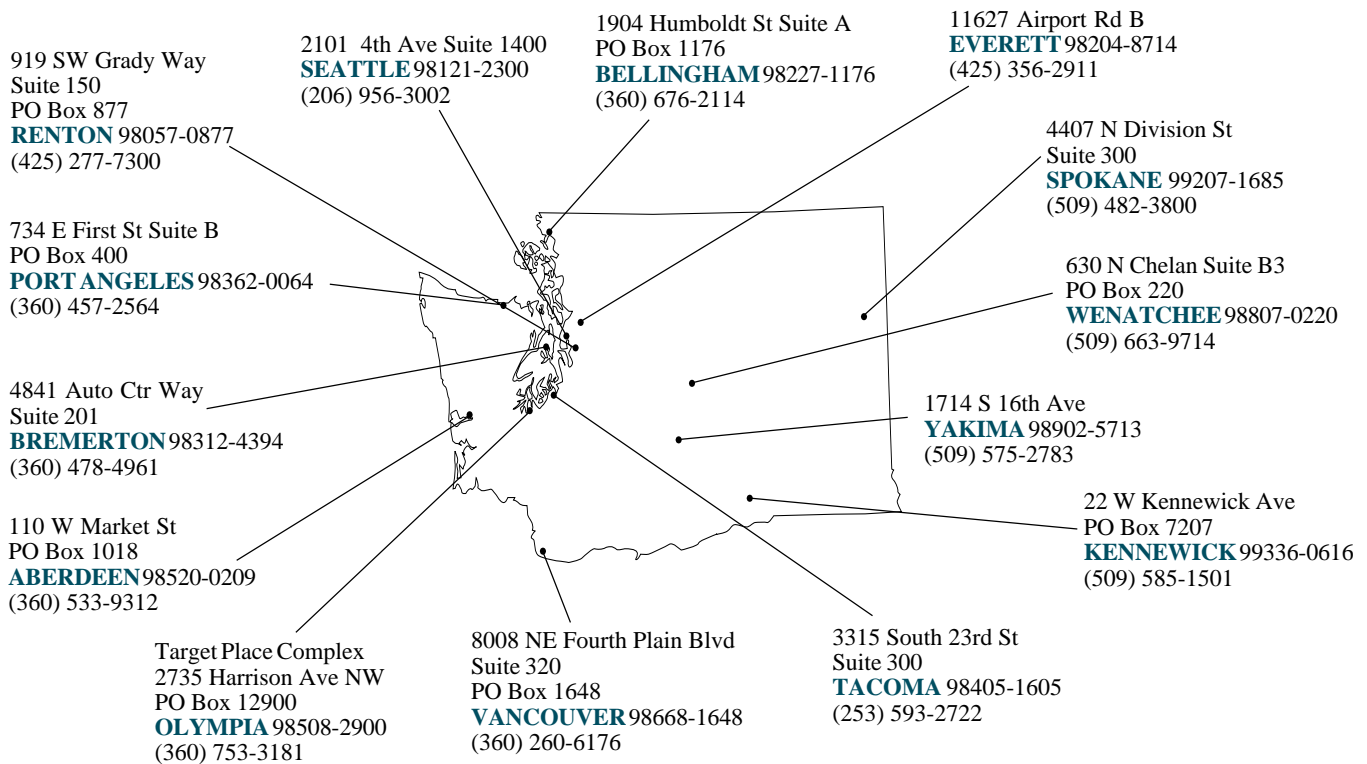
City, State, Zip: _____

Department of Revenue

Telephone Information Center
1-800-647-7706



FIELD OFFICE LOCATIONS



<http://dor.wa.gov>

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